

MINUTES OF MEETING  
of the  
FEDERAL ADVISORY COUNCIL

September 21, 1925

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The third regular statutory meeting in 1925 of the Federal Advisory Council was held in the Federal Reserve Board Room, Treasury Building, Washington, D. C., September 21, 1925, the third Monday in the month, as prescribed in the By-Laws.

The President, Mr. Warburg, called the meeting to order at 9:30 A. M.

Present:

Mr. P. M. Warburg, President	District No. 2
Mr. C. A. Morss	District No. 1
Mr. L. L. Rue	District No. 3
Mr. G. A. Coulton	District No. 4
Mr. J. M. Miller, Jr.	District No. 5
Mr. F. O. Wetmore	District No. 7
Mr. Breckinridge Jones	District No. 8
Mr. G. H. Prince	District No. 9
Mr. P. W. Goebel	
(Alternate for Mr. E. F. Swinney)	District No. 10
Mr. W. M. McGregor	District No. 11
Mr. H. S. McKee	District No. 12
Mr. C. B. Georgen	Secretary

Absent:

Mr. Oscar Wells	District No. 6
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The Secretary read a communication from Mr. M. L. McClure, Chairman of the Board of the Federal Reserve Bank of Kansas City, stating that Mr. Swinney would be unable to be present at the meeting on account of the serious illness of Mrs. Swinney, but that Mr. P. W. Goebel, President of the Liberty National Bank, Kansas City, had been appointed as alternate.

On motion, duly seconded, the President was instructed to send a telegram to Mr. Swinney expressing the regrets of the Council and their hope for Mrs. Swinney's early recovery.

A letter from Mr. Oscar Wells conveyed regrets for his inability to be present on account of the sudden decease of the senior vice president of the First National Bank of Birmingham.

On motion, duly seconded, the minutes of the previous Council meeting, on May 22, 1925, copies of which had been sent to the members, were approved.

The Council thereupon discussed the topics submitted by the Federal Reserve Board for this meeting (Topics Nos. 1, 2 and 3, attached and made a part of these minutes), as well as the pending McFadden bills H. R. 8887 and H. R. 12453, as suggested by Governor Crissinger at the previous meeting (see Page 10, minutes of Joint Conference May 22, 1925). The Executive Committee was, upon motion duly seconded, instructed to formulate and submit recommendations, embodying the conclusions reached by the Council.

Mr. Warburg proposed that as Mr. W. W. Stewart, Director of Research and Statistics for the Federal Reserve Board, had just returned from Europe it might be interesting to hear him and suggested that the Council extend an invitation to the members of the Federal Reserve Board and Mr. Stewart to lunch together at the Metropolitan Club. The Council agreed to this suggestion.

At 11:30 A. M. the Council adjourned to convene in joint session with the Federal Reserve Board.

C. B. GEORGEN,  
*Secretary.*

#### MINUTES OF JOINT CONFERENCE OF THE FEDERAL ADVISORY COUNCIL AND THE FEDERAL RESERVE BOARD

September 21, 1925.

At 11:30 A. M., a joint conference of the Federal Advisory Council and the Federal Reserve Board was held in the Federal Reserve Board room.

Present: Members of the Federal Reserve Board:

Governor D. R. Crissinger, Vice Governor Edmund Platt, Messrs. A. C. Miller, G. R. James, E. H. Cunningham, Hon. J. W. McIntosh, Comptroller of the Currency; also, Mr. C. S. Dewey, Assistant Secretary of the Treasury; also, Mr. W. W. Stewart, Director, Division of Research and Statistics.

Present: Members of the Federal Advisory Council:

Mr. P. M. Warburg, President; Messrs. C. A. Morss, L. L. Rue, G. A. Coulton, J. M. Miller, Jr., F. O. Wetmore, Breckinridge Jones, G. H. Prince, P. W. Goebel, W. M. McGregor, H. S. McKee and C. B. Georgen, Secretary.

The President of the Council called the meeting to order and, upon invitation, some of the representatives of the various districts reported upon business

and credit conditions. Views regarding discount rates were also expressed in accordance with Topic No. 1.

Mr. Warburg stated that the present situation demonstrated anew the dangerous weakness of our banking machinery caused by the accumulation of the country's idle money, as on call loans on the stock exchange of New York. He urged the Board to appoint a special committee for the purpose of studying what could be done to remedy this organic weakness of our system. The placing, step by step, of dealings on the stock exchange on the basis of term settlements, the establishment of a charge by New York banks for stock exchange loans made by them for out-of-town banks, the stimulation of the development of the open bill market, he mentioned as some of the problems to be studied in this regard. A committee of this character would have to contemplate to function for several years, as progress would naturally be slow; but Mr. Warburg urged that the possibilities of headway on these lines be fully and continuously explored.

At 1:00 P. M., the conference adjourned to the Metropolitan Club, where at a joint luncheon the members of the Council finished their reports to the Board concerning credit conditions and discount rates. Mr. Stewart presented a report and comparative statistics regarding general economic conditions.

A general discussion between the members of the Council and the Board regarding the business outlook and discount policies followed.

At 3:30 P. M., the joint conference adjourned.

C. B. GEORGEN,  
*Secretary.*

#### MINUTES OF MEETING OF THE EXECUTIVE COMMITTEE OF THE FEDERAL ADVISORY COUNCIL

September 21, 1925.

At 3:45 P. M., the Executive Committee of the Federal Advisory Council met in the Federal Reserve Board room.

Present: Mr. P. M. Warburg, Chairman; Mr. C. A. Morss, Vice Chairman; Messrs. F. O. Wetmore, J. M. Miller, Jr., and C. B. Georgen, Secretary.

The Committee prepared for presentation to the Council recommendations on the topics discussed by the Council.

At 4:30 P. M., the meeting adjourned.

C. B. GEORGEN,  
*Secretary.*

## MINUTES OF MEETING OF THE FEDERAL ADVISORY COUNCIL

September 21, 1925.

At 4:30 P. M., the Federal Advisory Council reconvened in the Federal Reserve Board room.

Present: Mr. P. M. Warburg, President; Messrs. C. A. Morss, G. A. Coulton, J. M. Miller, Jr., F. O. Wetmore, Breckinridge Jones, G. H. Prince, P. W. Goebel, W. M. McGregor, H. S. McKee and C. B. Georgen, Secretary.

Mr. Warburg, as Chairman of the Executive Committee, submitted the Committee's report embodying the recommendations which had been prepared. After discussion the Recommendations Nos. 1, 2, 3 and 4, attached hereto and made part of these minutes, were unanimously approved by the Council for presentation to the Federal Reserve Board.

At 5:00 P. M., the Council adjourned to convene in joint session with the Federal Reserve Board.

C. B. GEORGEN,  
*Secretary.*

## MINUTES OF JOINT CONFERENCE OF THE FEDERAL ADVISORY COUNCIL AND THE FEDERAL RESERVE BOARD

September 21, 1925.

At 5:00 P. M., the Federal Advisory Council and Federal Reserve Board met in joint conference in the Board room.

Present: Members of the Federal Reserve Board:

Governor D. R. Crissinger, Vice Governor Edmund Platt, Messrs. A. C. Miller, G. R. James, E. H. Cunningham; also, Mr. C. S. Dewey, Assistant Secretary of the Treasury.

Present: Members of the Federal Advisory Council:

Mr. P. M. Warburg, President; Messrs. C. A. Morss, G. A. Coulton, J. M. Miller, Jr., F. O. Wetmore, Breckinridge Jones, G. H. Prince, P. W. Goebel, W. M. McGregor, H. S. McKee and C. B. Georgen, Secretary.

The President of the Council called the meeting to order and presented to the Board the recommendations of the Council which had been prepared (Recommendations 1, 2, 3 and 4, attached hereto and made part of these minutes).

A short discussion among the members of the Board and of the Council relative to the recommendations followed.

At 5:20 P. M., the Conference adjourned, concluding the session of the Council.

C. B. GEORGEN,  
*Secretary.*

RECOMMENDATIONS OF THE FEDERAL ADVISORY COUNCIL TO THE  
FEDERAL RESERVE BOARD

September 21, 1925.

TOPIC No. 1. The Board requests that the Council come prepared to present a careful survey of business, credit and other related developments since the May meeting of the Council. It desires a thorough-going discussion of all factors bearing upon the discount and open market policies of the Federal Reserve Banks and recommendations with respect to these matters covering the remaining months of the year.

RECOMMENDATION: With regard to discount rates and conditions prevailing in the country, each member of the Council made a verbal presentation of the situation in his respective district. No recommendations for changes in discount rates were made but the Council suggests that the Board watch with particular care whether anything might occur in the near future which might render immediate action advisable in order to bring the discount rates of  $3\frac{1}{2}\%$  governing in five districts into nearer relationship with the rates at present prevailing in the open market, giving due consideration to the far-reaching effect that a raise in discount rates might have in present circumstances, not only on conditions in the United States, but also in other countries and particularly in those recently returned to the gold standard.

TOPIC No. 2. The Board would like to have the Council give consideration to the cause and probable effect of the present trend towards lower ratios of capital assets to current liabilities in the banking institutions of the country. In recent years there has been a great increase in bank deposits and it appears to the Board that the capitalization of banking institutions has not kept pace with this growth with the result that the ratios formerly considered proper are no longer maintained.

RECOMMENDATION: The members of the Council felt that they had not sufficient information to pass upon this question at this meeting and upon motion, duly seconded, agreed to take it up at the next conference.

TOPIC No. 3. Future policy of the Federal Reserve Banks toward unremunerative services in connection with the collection of non-cash items.

RECOMMENDATION: The Council gave careful consideration to the reports of the standing Committee on Collections and of the Committee of Governors on the question as to whether or not the system of collection of non-cash items as now in practice should be discontinued. Some of the Council felt that when the plan was originally adopted by the Federal Reserve Banks it would perhaps have been wise to put in some limits or restrictions to the items that should be collected, but now that the practice is in operation, and has been so for a number of years, it would cause too much disturbance to change it at this time. The Council therefore approves of the reports of the two committees and believes that their recommendations should be followed.

RECOMMENDATION No. 4: Referring to Governor Crissinger's suggestion at the last meeting that consideration be given to the McFadden Bills, we believe that the first McFadden Bill, H. R. 8887, should be re-drawn into two or more bills separating the questions of definition, etc., from those involving controversial subjects. If the Federal Reserve Board is called upon for its views on the question of branch banking the Council believes that the best policy for it to pursue is to express that, if a bill is to be passed authorizing national banks to engage in branch banking such privilege be restricted to national banks located in cities where the State laws now or in the future permit their State banks to engage in branch banking in such cities. As to the second McFadden Bill, H. R. 12453, the Council is unanimously opposed to it.